

Message Text

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PAGE 01 STATE 214954

61

ORIGIN EA-14

INFO OCT-01 ISO-00 EB-11 NSC-10 NSCE-00 AID-20 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07

OPIC-12 SPC-03 CIEP-02 LAB-06 SIL-01 OMB-01 SS-20

STR-08 CEA-02 L-03 H-03 PA-04 PRS-01 USIA-15 /157 R

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EA:HBARGER

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P 312329Z OCT 73

FM SECSTATE WASHDC

TO AMEMBASSY TAIPEI PRIORITY

INFO USLO PEKING PRIORITY

AMCONSUL HONG KONG

C O N F I D E N T I A L STATE 214954

E.O. 11652: GDS

TAGS:EFIN, TW, CH

SUBJECT: CHINESE REPRESENTATION IN IMF/IBRD

1. ROC AMBASSADOR SHEN, ACCOMPANIED BY ECONOMIC MINISTER MARTIN WONG, CALLED ON ACTING ASSISTANT SECRETARY HUMMEL AND DEPUTY ASSISTANT SECRETARY BARGER OCTOBER 31 ON INSTRUCTIONS FROM TAIPEI TO DISCUSS THE PRC EFFORT TO OUST THE ROC FROM THE IMF AND IBRD. WONG REVIEWED THE OCTOBER 29-30 MEETINGS OF THE EXECUTIVE DIRECTORS OF THE FUND AND BANK NOTING THAT THERE WAS CONSIDERABLE SUPPORT FOR OUSTING THE ROC BUT THAT NO ACTION WAS TAKEN. HE REPORTED ALSO THAT WITTEVEEN AND MCNAMARA WOULD APPROACH THE PRC TO CLARIFY THEIR INTENTIONS CONCERNING PARTICIPATION IN THE INSTITUTIONS AND REPORT BACK TO THE EXECUTIVE DIRECTORS
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 214954

WITHIN SIX WEEKS. HE EXPRESSED THE HOPE THAT WE COULD

INFORM THE ROC AS SOON AS POSSIBLE OF THE NATURE OF THE PRC RESPONSE SO THAT TAIPEI COULD DETERMINE ITS POSITION WELL IN ADVANCE OF THE NEXT BANK AND FUND MEETINGS.

2. IN RESPONSE TO AMBASSADOR SHEN'S REQUEST FOR CLARIFICATION OF THE US POSITION, HUMMEL STATED THAT THERE WAS NO CHANGE IN OUR POLICY OF DOING WHAT WE COULD TO SUPPORT

THE ROC IN THE INTERNATIONAL FINANCIAL INSTITUTIONS. WE HAD SOUGHT TO DELAY A DECISION IN THESE ORGANIZATIONS AND THIS EFFORT HAD BEEN SUCCESSFUL UP TO NOW, BUT THE ISSUES SEEM TO BE MOVING RAPIDLY TOWARD A DECISION. WE THEREFORE WANTED TO KNOW THE POSITION OF THE ROC AND WHAT WAS POSSIBLE, GIVEN THE APPARENT SUPPORT AMONG THE EXECUTIVE DIRECTORS FOR OUSTING THE ROC, BEFORE FORMULATING THE POSITION WE WOULD TAKE IN THE NEXT MEETINGS. AMBASSADOR SHEN MADE IT CLEAR, BOTH IN THE MEETING AND IN THE ELEVATOR ON THE WAY OUT, THAT THE ROC BELIEVES THE US COULD DO NO LESS THAN SUPPORT STRONGLY THE POSITION THAT THE REPUBLIC OF CHINA CONTINUE TO BE REPRESENTED IN THE BANK AND THE FUND UNTIL THE PRC DECIDES THAT IT IS PREPARED TO PARTICIPATE AND MEET THE OBLIGATIONS OF MEMBERSHIP. SHEN INDICATED THAT EVEN IF SUCH AN EFFORT SHOULD FAIL, IT WAS NEVERTHELESS ESSENTIAL TO PREVENT GRAVE POLITICAL DAMAGE TO THE ROC THAT THE US TAKE THIS POSITION. WERE THE US TO ACQUIESCE IN THE ROC'S OUSTER, SHEN CONTINUED, OTHER NATIONS WOULD CONCLUDE THAT EVEN THE US DID NOT CARE WHAT HAPPENED TO THE ROC.

3. SHEN AND WONG WERE NOT PREPARED TO DISCUSS WHAT WE SHOULD DO TO PROTECT ROC FINANCIAL INTERESTS IN THE EVENT AN EFFORT TO MAINTAIN THEIR REPRESENTATION FAILED. IN THIS CONNECTION THEY NOTED THAT THE BANK MANAGEMENT HAD SUGGESTED THE ROC CONSIDER TERMINATING THEIR ASSOCIATION WITH THE INSTITUTION AND BEGIN DISCUSSIONS WITH THE

CONFIDENTIAL

PAGE 03 STATE 214954

MANAGEMENT ON AN EQUITABLE LIQUIDATION OF THE ROC'S ASSETS AND LIABILITIES. SHEN AND WONG DISMISSED SUCH SUGGESTIONS SAYING THAT WHILE THEY WOULD REPORT THEM TO TAIPEI, THE BANK COULD NOT EXPECT A MAN WHO WAS NOT YET DEAD TO PLAN HIS OWN FUNERAL ARRANGEMENTS. WHILE REASSURING SHEN THAT WE WOULD DO WHAT WE COULD TO PRESERVE THEIR POSITION, HUMMEL AND BARGER REITERATED OUR VIEW THAT A MAJORITY OF THE VOTING POWER IN BOTH INSTITUTIONS

WOULD DECIDE TO OUST THE ROC WHETHER THE PRC INDICATED IT WOULD PARTICIPATE OR NOT. THEY THEREFORE URGED THAT THE ROC GIVE THOUGHT TO WHAT IT WOULD LIKE US TO DO IN THAT CONTINGENCY TO MINIMIZE THE DAMAGE TO THE ROC'S INTERESTS. SHEN AGAIN DISMISSED THIS AS "DETAILS OF THE FUNERAL ARRANGEMENTS" AND EMPHASIZED THE ROC'S HOPE THAT THE UNITED STATES WOULD BE ABLE TO BEGIN AS SOON AS POSSIBLE TO ARGUE WITH OTHER GOVERNMENTS THAT THE STATUS QUO BE MAINTAINED IN THE IFI'S.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: WITHDRAWAL OF MEMBERSHIP, MEMBERSHIP APPLICATIONS, FOREIGN POLICY POSITION
Control Number: n/a
Copy: SINGLE
Draft Date: 31 OCT 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973STATE214954
Document Source: CORE
Document Unique ID: 00
Drafter: RWSULLIVAN:JW
Enclosure: n/a
Executive Order: GS HUMMEL
Errors: N/A
Film Number: n/a
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t1973101/aaaaaajv.tel
Line Count: 126
Locator: TEXT ON-LINE
Office: ORIGIN EA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 28 AUG 2001
Review Event:
Review Exemptions: n/a
Review History: RELEASED <28-Aug-2001 by boyleja>; APPROVED <07 MAR 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CHINESE REPRESENTATION IN IMF/IBRD
TAGS: EFIN, TW, CH, IMF, IBRD
To: TAIPEI
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005